

Everyday Math

Activity #8: Creating a Budget

What is a Budget?

A budget is the best way to protect yourself against overspending. A budget is a means of keeping track of your money. By keeping track of the money that you have coming in and the money you have going out you will be better prepared to keep your spending under control.

Getting Started

To create a budget for yourself and or your family you will need to spend some time determining your expenses, including, daily, weekly and monthly. As a result, to create an accurate budget you will need approximately 2 months to account for all of your in coming and out going money.

In today's computerized world you would think that a computer program would be the quickest and most accurate way to create a budget, however, sometimes it helps to simply rely on the paper and pencil method. Here's how:

- Step 1: For a two month period keep track of all your expenses, this eliminates creating a budget based on a week or month of unusually low or high expenses. Over the next eight weeks record your expenses on a sheet of paper, using a separate sheet for each week. Start recording on a Monday and be sure to carry your paper with you at all times. Record every expense you pay by cash, this includes check, ATM or debit card.

- Step 2: At the end of each week total your expenses, then begin the new week with a fresh sheet of paper and repeat Step 1.
- Step 3: At the end of eight weeks, list the seasonal, annual semi-annual or quarterly expenses you incur but did not pay during the eight-week period. This include, property taxes, car registration, insurance payments, or gifts.

Figuring Your Income

Now that you have accounted for your expenses you need to determine your monthly income.

- Step 1: On a piece of paper, list all jobs for which you receive a salary or wages. This list should also include other sources of income such as, bonuses, dividends, alimony or child support, retirement or public assistance.
- Step 2: Next to each source of income, list the net (after deductions) amount you receive each pay period. Be sure to list the pay period for each source of income, weekly, twice-monthly, every-other week, monthly, quarterly, or annually.
- Step 3: Multiply or divide the pay period into the net amount to determine the monthly amount. For example, if you are paid twice a month, multiply the net amount by two. If you are paid every other week, multiply the amount by 26 (for the annual amount) and divide by 12

You now should have an accurate account of your monthly income.

Creating Your Budget

- Step 1: On a blank piece of paper, write down categories into which your expenses fall, (a chart of sample categories is included for you).
- Step 2: Once you have created a chart of categories that your expenses fall into, make 12 copies, one for each month of the year.
- Step 3: Write the amount you spend for a particular month next to the appropriate expense on your chart. Don't forget months that have seasonal, semi-annual, etc... expenses. Then total your expenses for each month.

If your total expenses for the whole year exceed your income you will need to decrease your expenses or increase your income.

Categories of Expenses

Home

rent/mortgage
property taxes
insurance
telephone
cable TV
garbage

Self Care

toiletries
haircuts
healthcare
insurance
doctor/dentist

Wearing Apparel

clothing
laundry
dry cleaning

Food

groceries
Dinning:
breakfast
lunch
dinner

Transportation

insurance
registration
gas
public transit
parking tickets

Entertainment

music
movies/concerts
sporting events
software

Pet Care

vet
grooming
food, toys

Education

tuition, books

Travel

Misc.

***Remember this is just a sample, yours may include fewer or more categories and fewer or more expenses.**